

Message Text

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PAGE 01 LONDON 07923 251252Z

42

ACTION TRSE-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1535

C O N F I D E N T I A L LONDON 07923

DEPARTMENT PASS TREASURY

E.O. 11652: XGDS-1, DECLAS 6-25-04

TAGS: EFIN, UK

SUBJECT: FROZEN ORANGE JUICE; U.K. TREASURY VIEWS

REF: LONDON 4054, LONDON 6496

1. DURING COURSE OF TWO WIDE RANGING INFORMAL CONVERSATIONS WITH JOHN GILBERT, LABOUR MP, WHO IS FINANCIAL SECRETARY IN H.M. TREASURY, TREASURY REP MENTIONED VAT TREATMENT OF FROZEN ORANGE JUICE AND CONCENTRATES. GILBERT IS RESPONSIBLE FOR VAT QUESTIONS, BUT HE INITIALLY HAD BEEN UNAWARE OF PROBLEM RAISED FOR U.S. BY U.K. IMPOSING VAT ON FROZEN ORANGE JUICE. WE SENT COPY OF AMBASSADOR'S NOTE TO FOREIGN OFFICE TO GILBERT (LONDON 4054) WITH REQUEST THAT IF POSSIBLE HE LOOK INTO POSSIBILITY OF AGAIN ZERO RATING FRUIT JUICES AND CONCENTRATES UNDER VAT.

2. IN REPLY, GILBERT REPORTS THAT CHANCELLOR HEALEY HAS LOOKED INTO THE MATTER PERSONALLY. HEALEY IS WELL AWARE OF THE IMPORTANCE U.S. GOVERNMENT ATTACHES TO THE MATTER, BUT DOESNOT CONSIDER THAT HE WOULD BE JUSTIFIED IN SUPPORTING THE TAX CONCESSION SOUGHT BY THE U.S. HEALEY ACCEPTS THAT THESE PRODUCTS ARE FOOD, BUT THEY ARE ONLY ONE EXAMPLE OF LARGE NUMBER OF FOOD PRODUCTS WHICH BECAME SUB-
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PAGE 02 LONDON 07923 251252Z

JECT TO VAT ON APRIL 1; MANY OF OTHER FOOD PRODUCTS AFFEC-

TED ARE ALSO SUCH THAT JUSTIFIABLE CLAIMS FOR SPECIAL TREATMENT COULD BE MADE ON THEIR BEHALF. A LINE HAD TO BE DRAWN SOMEWHERE. GILBERT ALSO SAID THAT CHANCELLOR DECIDED HE HAD TO RAISE ADDITIONAL REVENUE IN HIS BUDGET. NO QUESTION ARISES OF DISCRIMINATION AGAINST PRODUCTS OF THIS NATURE PRODUCED IN THE U.S. ANY FLEXIBILITY OR SPECIAL TREATMENT SHOWN NOW FOR ONE OF THESE PRODUCTS COULD BE EXPECTED TO LEAD TO DEMANDS FOR SPECIAL TREATMENT ON BEHALF OF OTHERS, WHICH ARE ALSO SUBJECT OF LOBBYING FOR SPECIAL TREATMENT.

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Message Attributes

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